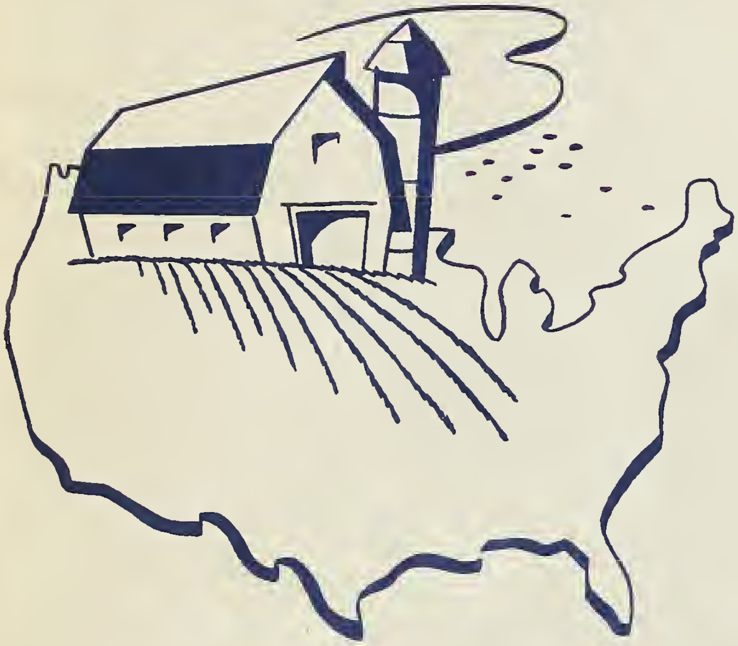
FARM PROGRAM FACTS



A strong America needs a strong agriculture. A strong agriculture requires a program that will keep it stable, prosperous, and free . . . .

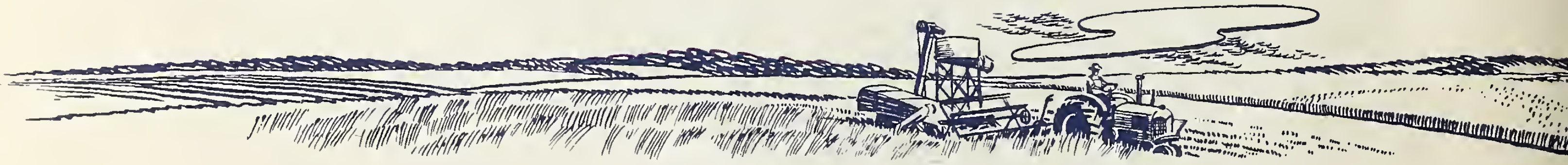
Ezra Taft Benson

SECRETARY OF AGRICULTURE

U. S. DEPARTMENT OF AGRICULTURE

See Enclosures

Farm Program Facts



Situation:

Supplies for 1953-54 are estimated at 3,923 million bushels (including an October 1, 1953 carryover of 769 million bushels)--the second largest supply of record. Disappearance probably will be a little over 3,000 million bushels, which would make the carryover on October 1, 1954 around 900 million bushels and a new record. Well over 700 million bushels of the carryover will be owned or controlled by CCC.

CCC corn inventories as of March 31, 1954 totaled 429 million bushels. Corn of the 1953 crop under price-support loans and purchase agreements as of March 15, 1954 totaled 330 million bushels, while 1952-crop corn "resealed" amounted to 48 million bushels. Support will be available through May 31, 1954.

Current Program:

Acreage allotments for the commercial corn area were established for the 1954 corn crop at 46,995,504 acres--about 17.4 percent below 1953 planted acreage of 56,819,428 acres. The "commercial corn area" includes 834 counties in the Corn Belt proper and surrounding areas where production reaches specified levels.

(The March Prospective Plantings Report states that "decreases are expected generally in the 'commercial corn' areas. . . but increases are expected in portions of these States outside the commercial counties and in most other States.")

Mandatory support rates for 1954-crop corn will be based on a minimum national average of $1.62 per bushel, which is 90 percent of the February 15 parity price. In the commercial corn area rates will reflect 90 percent of parity, and in the non-commercial area 67½ percent of parity.

The national average support level on 1953-crop corn is $1.60 per bushel. Under the reseal program for 1952-crop corn, loans mature July 31, 1954--the same as for the 1953 crop.

New Program:

It is proposed that the carryover allowance provided for in the determination of "normal supply" be raised from 10 to 15 percent of domestic use plus exports, to become effective for the 1955 crop. Support would range between 75 and 90 percent of parity beginning with the 1955 crop. The support level would drop 1 percent below 90 for each 1 percent increase in supply above normal.

The transition to modernized parity would start in 1956 as provided in the 1949 act, with the rate of transition limited to 5 percent per year.

Marketing quotas for corn would be abolished upon adoption of the proposed legislation.

Far

Situation:

1953 crop	16.2 million bales
Carryover, August 1, 1953	5.5 million bales
Total supply for 1953-54 (including 0.1 million bales estimated imports)	21.8 million bales
Disappearance (estimated) for 1953-54	12.2 million bales
Carryover, August 1, 1954	9.6 million bales
Cotton under loan, 1952 crop, April 2, 1954	1,700,066 bales
Cotton under loan, 1953 crop, April 2, 1954	6,098,848 bales
Total cotton under loan	7,798,914 bales
CCC cotton inventory, March 31, 1954	235,400 bales
1954 national acreage allotment (This would produce 11.5 million bales, with average yields and an allowance of 10 percent for abandonment and underplanting)	21,379,358 acres

Current Program:

Acreage allotments and marketing quotas are in effect for the 1954 crop. (Allotments and quotas are also in effect for 1954-crop extra long staple cotton.)

Mandatory price support at 90 percent of parity is available to those farmers who plant within their allotments. Those who overplant allotments are ineligible for support and will be assessed a marketing quota penalty of 50 percent of the cotton parity price as of June 15, 1954, on "excess" cotton.

New Program:

(1) Set aside a substantial part of the present carryover; (2) modernized parity effective with the 1956 crop; (3) provisions of the 1949 Act changed to permit variable price support to operate in adjusting supplies before proclamation of marketing quotas.

To implement the recommended program, proposals now under discussion include: (1) Change "normal supply" to 120 (instead of present 130) percent of estimated domestic disappearance and exports; (2) proclaim marketing quotas when total supply exceeds the "new" normal supply by more than 10 percent - thus, quotas would not be proclaimed until the total supply exceeded 132 (instead of present 130) percent of disappearance; (3) in determining the minimum support level for cotton, start at a supply percentage of 102 (as provided now for corn, wheat, tobacco, and rice) instead of present 108; (4) provide acreage allotments every year; (5) provide that the national marketing quota shall not be less than the larger of (a) 10 million bales or (b) the number of bales required to provide a national acreage allotment equal to 85 percent of the current allotment or, if no allotment was in effect, 80 percent of the acreage of cotton in cultivation on July 1 of the current year.

(If the above changes were made, a set-aside of 3 million bales would provide a minimum support level for the 1955 crop of about 82 percent of parity. If the set-aside should be 4 million bales, minimum support would be about 86 percent of parity.)

Fa

Situation:

Through March 15, 1954, farmers had obtained loans on 449 million pounds of peanuts under the 1953-crop price-support program. This is equal to about 29 percent of the 1953 crop, which was about 250 million pounds larger than estimated production requirements for the year.

From August 1, 1953 through March 15, CCC sold about 350 million pounds of peanuts, farmers' stock basis. Of this total, 127 million were for domestic crushing, 219 million for crushing abroad, and 4 million were exported for edible use.

Although the marketing quota (673,785 tons) and the national acreage allotment (1,610,000 acres) for 1954 have been set at the minimum levels permitted by law, it is expected that output of peanuts this year will continue to be in excess of requirements even if yields (which have been trending upward) should decline moderately from the record high yield in 1953.

Prices received by farmers have been fairly stable, averaging 83 percent of parity in January, February, and March.

Current Program:

In the December 15, 1953 referendum, growers approved marketing quotas for peanuts (94.3 percent favorable) for the 1954, 1955, and 1956 crops.

Prices of 1954 crop peanuts will be supported under existing legislation at a national average of not less than $243 per ton, which will be adjusted upward if the August 1 parity price is higher than the April 1 parity price on which the $243 rate was based. Price support is mandatory at 90 percent of parity.

New Program:

Variable support levels (at 75 to 90 percent of parity) of the Agricultural Act of 1949 would become effective at the beginning of 1955, and the shift to "modernized" parity a year later. To ease the adjustment to "modernized" parity, which for peanuts is 20 percent lower than the "old" parity now in use, a gradual transition would be effected by limiting the decrease from the old parity to 5 percent a year.

Fa

Situation:

Supplies for the 1953-54 marketing year are indicated at 54.6 million hundredweight of rough rice. Disappearance may possibly be 52 million hundredweight, which would mean an August 1, 1954 carryover of 2.6 million hundredweight--approximately average.

Rice under price support loans and purchase agreements totaled about 4 million hundredweight in March. It is possible that 1 or 2 million hundredweight of this price-support rice may be delivered to CCC. No rice was in the CCC inventory in March.

Although exports have been running at a rate equal to about 50 percent of estimated production in the United States, the Department warns that any substantial expansion of acreage is unwarranted at this time. Exports from July 1, 1953 through February 1954 totaled 9,486,000 bags, as compared with 8,069,000 bags in the same period a year earlier.

Current Program:

Price supports are mandatory at 90 percent of parity. The 1954 minimum support rate was announced at $4.92 per hundredweight on the basis of the parity price as of February 15, 1954. If parity is higher (the beginning of the 1954-55 marketing year) August 1, the support will be increased to equal 90 percent of parity for that date. The support level in 1953 was $4.84 per hundredweight.

It was announced late in December 1953 that there would be no marketing quotas and no acreage allotments on the 1954 crop. The Department stated that in order to proclaim marketing quotas the total supply would have to exceed 62,610,000 bags of 100-lb. each of rough rice, whereas the actual supply for 1953-54 has been established at only 54,556,000 bags. Action in dispensing with rice acreage allotments was taken in view of an expected continuation of the heavy export demand which has prevailed during the last 2 years.

New Program:

Under the new farm program proposals, beginning with the 1955 crop, there would be a return to the provisions of the Agricultural Act of 1949; that is, the price support level would be variable--from 75 to 90 percent of parity--depending upon the supply situation at the beginning of each marketing year. The new parity formula already is used in the computation of parity prices for rice.

Situation:

The supply and demand situation for tobacco is in reasonable balance. Prices for the 1953 crop, the marketing of which has been completed except for Maryland tobacco, have approximated parity. Drought conditions in some of the growing areas sharply affected yield, quality, and grower income, particularly in the old belt flue-cured area of Virginia and North Carolina and the fire-cured and dark air-cured producing areas of Virginia, Kentucky, and Tennessee. A decline in the level of consumption of cigarettes in the past year is causing some concern.

Current Program:

Marketing quotas are in effect for all kinds of 1954-crop tobaccos except Maryland and Pennsylvania, growers of which disapproved quotas, and Connecticut and Florida shade cigar wrapper, which are not included in the Agricultural Adjustment Act of 1938. Support at 90 percent of parity is mandatory as provided in the Agricultural Act of 1949 except where quotas have been disapproved, in which event no supports are authorized. (The support levels for fire-cured, dark air-cured and Virginia sun-cured are based on the burley support level rather than being calculated individually.)

All kinds of tobacco are on modernized parity, except Puerto Rican where old parity is higher. Present indications are that modernized parity will be equal to or greater than old parity for the 1954 crop of all other kinds of tobacco, as has been the case for several years.

New Program:

It has been possible under existing legislation to carry on a generally successful price support program for tobacco. It has been recommended that the tobacco program be continued in its present form.

Situation:

An all-time record supply of wheat, estimated at about 1,755 million bushels, is available in the United States for the 1953-54 marketing year. With total disappearance of wheat during the year currently estimated at about 880 million bushels, the carryover of old wheat is expected to approximate 875 million bushels. CCC, which owned or had under price support about 963 million bushels of wheat at the end of March, will control the bulk of the July 1, 1954 carryover stocks.

The present surplus situation traces largely to the fact that production has continued at near-record levels at the same time that foreign demand has dropped off. Exports, which averaged 404 million bushels in the 8 years 1945-52, were down to 317 million bushels in 1952-53, and are expected to decline to about 200 million bushels in 1953-54.

Current Program:

Price support mandatory at 90 percent of parity will be available on the 1954 wheat crop, and a minimum national average rate of $2.20 a bushel has been announced. The national average rate for the 1953 crop was $2.21.

Marketing quotas for the 1954 crop were approved by wheat growers last August. The national acreage allotment is 62 million acres, plus an additional acreage for the seeding of Class II durum wheat, as provided for under Public Law 290, 83rd Congress. Present indications are that farmers will plant pretty well within the allotment.

New Program:

Under the new farm program proposals, beginning with the 1955 crop, there would be a return to the price support provisions of the Agricultural Act of 1949--within a range of 75 to 90 percent of parity. Price supports would be related to supply--high in the variable range when supplies were down and lower in times of heavy supply.

Proposed legislation would earmark between 400 and 500 million bushels of wheat for a special "insulated" set-aside. The set-aside amount would be held from commercial markets, and would not be included in the supply figures which are the basis for determining price support levels, but would be included in the supply figures used in the determination of marketing quotas and acreage allotments.

Beginning January 1, 1956, wheat would be shifted over to the modernized parity formula authorized in existing legislation. For wheat, parity would be about 15 percent lower than under the old formula, but special provisions would limit the downward adjustment to not more than 5 percent each year. It probably would take 3 years, beginning with the 1956 crop, to shift wheat fully to the new formula.

(Oats, barley, sorghum grain, and rye)

Situation:

Producers have been cautioned by the Department of Agriculture against over-expanding production of oats, barley, sorghum grain, and rye on acreage diverted from wheat, corn, and cotton, which are under acreage reduction programs, because any material expansion in output of small grains would only mean surpluses and further adjustment problems. It now appears, however, that some increases in small-grain production are probable.

The March Prospective Plantings report shows: (1) A 7-percent increase in acreage of oats for 1954 and a new high record; (2) a 47-percent increase, or the largest acreage seeded to barley for all purposes since 1944; and (3) a 28-percent increase in plantings of sorghum grain. Rye seeded in the fall of 1953 was 4.0 million acres--22 percent more than the 3.3 million acres planted in the fall of 1952.

Oats--Carryover on July 1, 1954 is estimated at 240 million bushels--somewhat below average. No oats was in CCC's inventory on March 31, but oats under price support (loans and purchase agreements) totaled almost 50 million bushels, of which about 40 million may be delivered to CCC. Almost 3 million bushels of 1952-crop oats had been resealed.

Barley--Carryover on July 1 is expected to amount to about 70 million bushels--considerably below the 1949-52 average. CCC holdings on March 31 were less than half a million bushels. Barley under price support March 15 totaled about 40 million bushels, and it appears that about 25 million bushels will be delivered to CCC.

Sorghum grain--Carryover on October 1 is expected to be about 35 million bushels, of which over 20 million is likely to be in CCC hands. An insignificant quantity of sorghum grain was in CCC stocks on March 31, but over 40 million bushels were under price support as of March 15.

Rye--It is expected that the July 1 carryover will be about 15 million bushels as compared with an average in recent years of about 6 million bushels. CCC inventory stocks as of March 31 were only 145,000 bushels. Rye under price support on March 15 totaled about 5 million bushels.

Current Program:

Price supports for 1954 crops have been announced at 85 percent of parity, the national averages being: Barley, $1.15 per bushel; oats, 75 cents per bushel; sorghum grain, $2.28 per hundredweight; and rye, $1.43 per bushel. Support is accomplished through loans and purchase agreements.

New Program:

Prices of barley, oats, sorghum grain, and rye are supported under the "permissive" provisions of the Agricultural Act of 1949, which permits support at any level between zero and 90 percent of parity. Because there is sufficient flexibility under existing legislation to operate satisfactory programs, no new support proposals have been suggested.

Situation:

Production of cottonseed oil for the year beginning October 1, 1953 is estimated at 2 billion pounds. Total production of all edible vegetable oils, including the oil equivalent of soybeans and peanuts exported for crushing, is estimated at over 5 billion pounds.

The total supply of all food fats and oils, including cottonseed oil and butter owned by CCC, available for the year beginning October 1, 1953 is estimated at 10.4 billion pounds, and domestic consumption at 7.6 billion pounds. This leaves 2.8 billion pounds for export and carryover.

On March 31, 1954 estimated total CCC stocks of refined and crude cottonseed oil totaled about 950 million pounds.

Tenders of oil to CCC from 1953 production amounted to over 354 million pounds on March 31, equal to about 18 percent of the estimated oil production from the 1953 cottonseed crop. Tenders may be made through June 30. Nearly half the production of oil from the 1952 crop was tendered to CCC.

Current program:

Price support for the 1954 crop includes producer loans and direct purchase from producers and ginners. Producer loans are at $54 per ton and producer purchases at $50 per ton. Other provisions, including purchase prices for cottonseed products, will be announced later. All purchases and loans are at basis grade (100). The support rates reflect 75 percent of parity as of March 15, 1954.

New Program:

Price support is authorized for cottonseed at any level between zero and 90 percent of the parity price. Because this provision of the Agricultural Act of 1949 assures ample flexibility for operating a satisfactory program, no change in the legislation is proposed.

Situation:

Production in 1953 was estimated at 36.8 million bushels which, when added to the stocks July 1, 1953 (including linseed oil in terms of flaxseed equivalent), made a total supply for the marketing year beginning July 1, 1953 of 77.8 million bushels. The equivalent of 31 million bushels was in linseed oil. The total supply was more than twice the estimated disappearance of about 32 million bushels for the year.

Average disappearance of flaxseed for the 5-year period 1948-52 was 40.2 million bushels. The estimated disappearance of about 32 million bushels for the 1953-54 marketing year would leave a carryover (including linseed oil on a flaxseed equivalent basis) of about 45 million bushels.

As of March 31, 1954 estimated total stocks of linseed oil owned by CCC were about 41 million pounds. In addition, 300 million pounds of linseed oil were held in a special account of the Secretary of Agriculture under the National Defense Program. Only 136,000 bushels of flaxseed were in CCC's stocks in March.

On March 15, 1954 CCC had 17.8 million bushels of 1953-crop flaxseed under price support, most of which will be delivered to CCC to satisfy loans.

The March prospective plantings report indicates a 1954 acreage of 5.4 million which, with average yields, will result in a production of about 46 million bushels and add substantially to the carryover July 1, 1955.

Current Program:

Price support for flaxseed is permissive at not more than 90 percent of parity. Support for the 1953 crop was 80 percent of parity, a national average of $3.79 per bushel. The announced support rate for the 1954 crop is 70 percent of parity, or an average of $3.14 per bushel.

New Program:

Price support is authorized for flaxseed under the Agricultural Act of 1949 at any level between zero and 90 percent of the parity price. Because this provision of existing price legislation assures ample flexibility for operating a satisfactory program, no change in the law has been proposed.

Soybeans

Situation:

The carryover of soybeans on October 1, 1953 was 10.1 million bushels--three times the recent average. Production in 1953 was 262.3 million bushels, bringing total supplies for the current year to 272.4 million bushels.

Demand during the current year has been heavy in relation to supplies. Disappearance during 1953-54 will total about 268 million bushels, leaving a carryover on October 1, 1954 of about 4 million bushels, very little of which is expected to be in CCC hands.

Acreage for harvest in 1954 is expected to increase substantially, to about 16.7 million acres--compared with 14.4 million in 1953. At an average yield of 20.4 bushels per acre, a record crop of about 340 million bushels would be produced. Disappearance in 1954-55 is expected to total about 328 million bushels, leaving approximately 15 million bushels in the carryover on October 1, 1955. Both crushing and exports are expected to be at record levels in 1954-55.

CCC has no inventory at the present time. The amount of the 1953 crop under price support on March 15, 1953, totaled only 9 million bushels, nearly all of which is expected to be redeemed. Almost 21 million bushels of the soybeans put under the 1953 price-support program had been redeemed by March 15.

Current Program:

Price support in 1953, through loans and purchase agreements, was at 90 percent of parity, averaging $2.56 per bushel. Announced support for 1954 crop soybeans is at 80 percent of parity -- averaging $2.22 per bushel.

New Program:

Soybeans have been supported under the "permissive" provisions of the Agricultural Act of 1949, which permit support at any level up to 90 percent of parity. Because these provisions assure ample flexibility in operation, no new legislation has been proposed.

Situation:

Annual domestic disappearance of tung oil declined from the postwar high of 130 million pounds (crop year 1947-48) to about 50 million pounds during the crop years 1951-52 and 1952-53. This decline resulted from several factors including the ready availability at attractive prices of domestically produced substitutes such as linseed oil and soybean oil.

Available supplies of tung oil were sharply decreased by the embargo applied against Communist China late in 1950. Argentina has been the principal source of tung oil imports since 1950.

Domestic production has expanded rapidly. The average oil outturn per tung crop, 1942 through 1951, was 12.5 million pounds. The 1952 crop produced 42 million pounds of tung oil, and the oil equivalent of the 1953 crop is estimated at 46 to 48 million pounds. CCC acquired almost 6 million pounds of tung oil through the price support program for the 1952 crop. Further large acquisitions are anticipated from the 1953 crop.

Current Program:

Current legislation provides for mandatory price support of tung nuts at a level not less than 60 nor more than 90 percent of parity. Under an administrative determination price support has been extended to tung oil because tung nuts can be stored for only a limited time without impairment of the oil yield. Growers customarily arrange for early sale or toll crushing of tung nuts. Present support level is 65 percent of parity.

New Program:

Legislation now before Congress would make support discretionary with the Secretary of Agriculture within a zero to 90 percent of parity range instead of the present mandatory support at 60 to 90 percent.

Situation:

Existing law authorizes the use of the equivalent of 30 percent of general tariff revenues (Section 32 funds) to encourage exportation and diversion of agricultural commodities from normal channels of trade. In cases of market distress, these funds have been used effectively on fruits and tree nuts in three ways: Purchases for school lunch and institutions, subsidy payments to encourage increased exports, and diversion to new uses. These have been the only methods used in recent years to help stabilize market prices of these commodities.

New Program:

New farm program proposals would continue present provisions for use of Section 32 funds in behalf of fruits and vegetables.

They would liberalize marketing agreements in the following ways:

1. Provide for inclusion of additional commodities to which marketing agreement programs are adapted.
2. Enlarge and clarify authorization for agencies established under marketing orders to engage in or finance, within reasonable limits, research work from funds collected under marketing order.
3. Provide for continuous operation of marketing agreements, despite short-term price fluctuations, where necessary to assure orderly distribution throughout the marketing season.
4. Enlarge and clarify the authorization for the use of marketing orders to promote marketing efficiency, including the regulation of containers and types of pack for fresh and dried fruits and vegetables.

Situation:

Price support assistance to potato growers was removed at the end of the 1950-crop year after several years of such programs. The price support level, which had been at 90 percent of parity, was reduced to 60 percent for the 1949 and 1950 crops.

Since discontinuation of the support program, prices have fluctuated rather widely. Recently, prices reached a low point of 35 percent of parity, with distressed market conditions.

Potato marketing agreements and orders have been used effectively for a number of years to help maintain quality of potatoes marketed and to some extent to regulate quantity indirectly. Marketing agreements and orders are now operating in four areas.

New Program:

Recommended legislation would allow assistance to potato growers in the same manner as is available for producers of other fruits and vegetables.

In a rider attached to the cotton acreage allotment bill, passed by the Congress and signed by the President in January 1954 (Public Law 290, 83rd Congress), authority to use a portion of tariff revenues (Section 32 funds) to promote the exportation and domestic consumption outside normal trade channels of agricultural products was extended to potatoes. On March 24, the Department announced that some Section 32 assistance would be undertaken for the remainder of the 1953 crop storage. This assistance provides for (1) limited purchases for distribution to eligible institutions and welfare agencies, and (2) a diversion payment program to encourage further utilization of potatoes by starch and flour manufacturers.

The marketing agreement and order program will continue to be available on potatoes. Whatever liberalization Congress may authorize on marketing agreements for other fruits and vegetables would also be available for potatoes, under the proposed program.

Situation:

Milk production reached a record 121.2 billion pounds in 1953 and so far has been at an even higher rate in 1954.

The heavy increase in production has meant correspondingly heavy price-support purchases of butter, cheese, and nonfat dry milk solids. Price support purchases of dairy products during the two marketing years 1952-53 and 1953-54 amounted to 524 million pounds of butter, 538 million pounds of cheddar cheese, and 879 million pounds of nonfat dry milk solids. In 1952-53, purchases amounted to 3 percent of the year's milk production. In 1953-54 purchases soared to about 10 percent of milk output.

Record supplies of dairy products are now in the price-support inventory of the Commodity Credit Corporation. Stocks have remained large despite determined efforts to find useful outlets. For example, large quantities of dairy products bought for price support have been donated for use in school lunches and for welfare purposes in the United States. Additional quantities have been donated or sold at less than cost for welfare use abroad. Supplies also have been transferred to the Army and Veterans Administration.

Current Program:

The support level for manufacturing milk and butterfat in the 1954-55 marketing year has been set at 75 percent of parity. The level was 90 percent for both the 1952-53 and 1953-54 marketing years.

Because of wider marketing margins in 1953-54, however, butterfat supports have reflected 87 percent of parity to producers, and manufactured milk supports only 84 percent. The new program is designed to insure 75 percent of parity prices to producers. Thus, the drop in support levels is 12 and 9 points, respectively, rather than 15.

(It should be noted that the law says that prices of dairy products shall be supported between 75 and 90 percent of parity at such level "as the Secretary determines necessary in order to assure an adequate supply." The Solicitor of the Department of Agriculture ruled that this provision of law, together with heavy supplies of dairy products, made it necessary to set the support level at 75 percent.)

Lower supports have meant decreased prices to consumers and increased consumption of dairy products. In March the Department of Agriculture announced additional moves to better the dairy situation: These were: (1) A promotion program to push consumption of dairy products, and (2) a nationwide education campaign to encourage culling of low-producing dairy cattle.

New Program:

The Agricultural Act of 1949 requires price support for dairy products at such levels between 75 and 90 percent of parity as are necessary to assure an adequate supply. This discretionary authority makes it possible to operate a satisfactory program without any change in existing legislation.

Situation:

The fact that mandatory price supports are ill-adapted to meat animals has been recognized by Secretaries of Agriculture for years. Price assistance to livestock producers through surplus removal programs is more practical and feasible than direct price support at specific levels. The present law provides for such type of action to deal with the problems peculiar to the livestock industry.

New Program:

The new program proposes to continue present legislation. This legislation permits purchases of meat to help bolster prices to farmers when livestock markets are in distress, as was the case in 1953 with a combination of drought and a record number of beef cattle on farms.

The Department purchased about 250 million pounds of beef (equivalent to 865,000 head of cattle) to stabilize beef cattle prices in the summer and fall of 1953. The beef was distributed to the National School Lunch Program and to foreign outlets.

One way in which the proposed new farm program will have a beneficial effect for livestock producers is by adjusting price support of feed grains to the supply. The result should be a better relationship between prices farmers pay for feed and prices they receive for livestock.

Situation:

Price supports have not been generally desired by the poultry industry. Temporarily and in special circumstances, however, price supports can be helpful.

Experience has indicated that permissive support carried out through purchases with Section 32 funds has been more satisfactory than mandatory support. A mandatory program supporting prices of eggs at 90 percent of parity in 1948 and 1949 resulted in burdensome surpluses and considerable loss to the Government. Even when the support level was reduced to 75 percent the following year, purchases continued extremely heavy.

In the spring of 1952, a Section 32 purchase program for shell eggs had a stabilizing effect on egg markets without any resultant surplus. An outlet was determined to be available before purchases were made. They were distributed in the school lunch program. Similar success was experienced in a purchase program for turkeys for school lunch in the same year.

New Program:

The new program proposes to continue present legislation in which permissive support is authorized at levels not to exceed 90 percent of parity.

It provides discretionary authority to the Secretary of Agriculture to purchase poultry products only to the extent they can be used in the school lunch program, in non-profit institutions, and for certain other purposes.

Situation:

The United States consumes considerably more wool than it produces. The deficit is made up from imports, most of which come from Southern Hemisphere countries.

Domestic production in recent years, despite support at 90 percent of parity, has filled less than one-third of the Nation's needs. In 1953, domestic production of shorn and pulled wool combined was 296 million pounds, greasy shorn basis. Of this total, shorn production was 230 million pounds, and will probably be some less in 1954. Imports of apparel type wool in 1953 were somewhere between 350 and 400 million pounds, domestic grease basis. Including carpet or low-grade wools which come in duty free, imports in 1953 were about three times domestic production.

As of March 31, CCC stocks of shorn wool were 84.1 million pounds. Holdings of pulled wool totaled over 6.3 million pounds. Wool under loan at the end of February totaled 31 million pounds.

Wool price support over the period from 1943 to date has resulted in net realized losses to the CCC of over $92,000,000.

Current Program:

The Agricultural Act of 1949 provides that price support shall be at a level, between 60 and 90 percent of parity, needed to encourage the domestic production of 360 million pounds of shorn wool (or approximately 155 million pounds, clean basis). Because production has been less than two-thirds of the output sought, support has been maintained at the top of the percentage range--90 percent.

For 1954 production, a national average support price of 53.2 cents per pound has been announced. Under the 1954 program, recourse and nonrecourse loans are available to producers on wool in approved warehouses, at announced prices, through approved handlers.

New Program:

Under legislation now proposed, wool would move freely into consumption at the market price. If the market price were below the support level, producers' income would be bolstered by a direct payment. Wool producers, in other words, would be paid the percentage equivalent between the national average support level and the average price received by all producers for wool. The payment on a percent basis would reflect differences in quality, improved preparation and marketing of wool, and would be made to producers on the basis of the sales receipts for wool marketed within a specified period.

Situation:

Under present legislation, price support is mandatory at between 60 and 90 percent of parity. For the last two years, the Secretary of Agriculture has set the support level at 70 percent. The price support program was carried out through purchases from handlers in the principal producing areas in 1950-51 and through loans and purchase agreements with producers from 1951 through 1953.

Total purchases of honey in the 1952-53 crop year amounted to about 6 million pounds, which was used in the National School Lunch Program. Exports from the 1953 crop, through the use of a portion of tariff revenues (Section 32 funds), totaled nearly 25 million pounds. Also, nearly 1 million pounds was diverted to new domestic uses with the same funds. Honey production in 1953 was the lowest since 1948 and prices in recent months have been close to the support level.

The support program has been continued at 70 percent of parity for the new crop year which began April 1.

New Program:

Recommends that price support on honey be made permissive, instead of mandatory as it is now.

The recommended program proposes that the use of Section 32 funds continue to be used for export of honey and for diversion to new domestic uses.

Situation:

Last year, for the first time since World War II, sugar production was at or above quota levels in all domestic cane and sugar beet production areas. This called for marketing allotments among sugarcane processors in Puerto Rico and the mainland cane area.

Current prospects indicate a continuation of at least last year's levels of production in 1954. In addition to sugar price factors, marketing quotas and acreage allotments in effect for wheat and cotton will tend to increase acreages devoted to sugar in some areas. Thus preparations have been made for marketing allotments this year among processors of sugar beets as well as mainland and Puerto Rican sugarcane.

Current Program:

The Department's sugar program is based on the Sugar Act of 1948, which has the two-fold purpose of protecting the price interests of both producers and consumers. It protects producers by providing a market for their output at prices high enough to maintain the industry. It protects consumers by making available at fair prices all the sugar they care to purchase. These major objectives are carried out through a system of fixed sugar quotas established for our domestic production areas, both cane and sugar beet, and for the Philippines. Our remaining requirements, over and above these fixed quotas, are obtained from other countries, chiefly Cuba. Total requirements for 1954, set at 8,000,000 short tons on December 14, 1953, were raised to 8,200,000 short tons on March 16, 1954.

New Program:

The program has operated successfully under practically unchanged legislation for 17 years and no legislative changes have been recommended.

Proposed Set-Aside of Surpluses

Situation:

President Eisenhower has recommended to the Congress that a part of our abnormal surpluses of wheat, cotton, vegetable oils and possibly dairy products be "frozen" or "insulated" to give the proposed agricultural program a chance to work. No new program could be expected to function with tremendous surpluses hanging overhead, depressing the market and undermining confidence. These set-aside stocks would not be considered as part of the total supply in calculating support levels, though they would remain as part of the total for marketing quota and acreage allotment purposes. This would prevent the drastic lowering of price supports that might otherwise be necessary.

A value of up to $2\frac{1}{2}$ billion dollars for commodities in the set-aside was recommended by the President. In bills now being considered by the House and Senate Committees, provision is made for a "range" in the quantity of each commodity to be set aside--from 400 to 500 million bushels of wheat, from 3 to 4 million bales of cotton, and a range from zero to stated quantities of other commodities.

In general the outlets proposed for disposal of the surpluses suggest uses which normally do not represent a sales opportunity for commercial trade groups. One exception would provide that sales may be freely made at a price "not less than" 105 percent of the current parity or equivalent price. The President will request authority to use overseas during a 3-year period up to $1 billion worth of surplus commodities to strengthen economies of friendly countries and aid our foreign policy objectives, with these items to come from set-aside stocks, other CCC holdings, and possibly some open market purchases. Perishable stocks should be rotated.

Effect of Set-asides

Price supports for this year's crops would not be affected, since flexible supports would not go into effect until 1955. Price support levels applicable to 1955 production would depend on crop production this year, the exact size of the set-aside, and future production and demand prospects.

For wheat, effect of the set-aside would depend on other changes proposed; for example, change in definition of normal supply, the point at which a marketing quota would be proclaimed, and the acreage allotment objective. If these changes are adopted, and assuming a 1954 crop of about 900 million bushels (based upon March planting intentions and April production estimates for winter wheat) a set-aside of 400 million bushels would mean a price support level of about 79 percent of parity (about $1.97 a bushel) for 1955 under the proposed flexible support system. A set-aside of 500 million bushels would put the price support level around 84 percent of parity, or about $2.09 a bushel.

For cotton, effect of set-aside would depend on other changes recommended--changes in definition of normal supply, the point at which a marketing quota would be proclaimed, the minimum acreage allotment, and the supply percentage table used in determining support levels. If proposed changes were made, and on the basis of certain assumptions about the future, a set-aside of 3 million bales would provide a minimum support level of about 82 percent of parity. If set-aside should be 4 million bales, minimum support level would be about 86 percent of parity.

Situation:

To bring supplies of wheat, cotton and corn nearer to consumer requirements, major acreage adjustments are needed. Farmers are being called on to reduce production. Using past experience as a guide, farmers would be expected to take out of these crops about 25 million acres, roughly as follows: Wheat--13 million acres; Cotton--6 million acres; Corn--6 million acres.

The problem is how to make this adjustment without creating more difficulties. Already the total supply of feed grains is large and a further increase in the production of barley, oats, rye or grain sorghums can be expected to result in surpluses and lower prices.

Any substantial shift to commercial vegetables or oilseed crops might disrupt markets and result in surpluses and reduced prices.

Program:

I. - Through informational and educational facilities of the Department of Agriculture, farmers are being encouraged to put diverted acres to soil-conserving and soil-building uses. County Extension agents are advising with farmers on the use of this land. Technical assistance in making necessary land-use adjustments and in establishing sound conservation measures on diverted acres is available through the Soil Conservation Service. Likewise, the Forest Service is helping in the planting of trees on such land where this is deemed advisable.

II. - Through the Agricultural Conservation Program, cost-sharing is being provided to aid farmers in carrying out needed soil and water conservation measures. Congress has been asked for $250 million for ACP in 1955. This is $55 million higher than the 1954 authorization. ACP can provide cost-sharing to:

A. Assist farmers in establishing a soil reserve on acreage temporarily diverted but which is suitable for crop production on a continuing basis.

B. Assist in making permanent land-use adjustments by establishing long-term cover on land that is not well suited for continuous crop production.

Some of the diverted acreage can be put into permanent grass or tree crops. Some can be planted to temporary cover crops and some to rotation hay and pasture.

III. - Growing of new crops on diverted acres is being explored. This appears to offer immediate help in only limited areas, but research is being stepped up in the hope of absorbing some acreage in this manner.

Situation:

Chief beneficiaries of price-support policies have been the 2 million larger, highly mechanized farming units which produce about 85 percent of our agricultural output. Individual production of the remaining farms, about 3,500,000, is so small that the farmer derives little benefit from price supports.

Heart of the Problem:

Roughly speaking in the 3,500,000 small farms there are 1,100,000 run by full-time farm operators who in 1949 had total family incomes of less than $2,000. The underemployment, and accompanying low productivity and low income of these 1,100,000 small farmers, is the heart of the small farm problem. Most of the remainder are residential and part-time farmers.

Possible Solutions:

Report by Secretary's work group on Underemployed Rural People in July 1953 found five categories of small farmers and listed the following solutions:

I. Part-time farmers: Solution: to be found in better off-farm employment opportunities.

II. Full-time farmers on inadequate units where adjustment to adequate units would be uneconomic. Solution: lies in the movement of the people from such units and the gradual retirement from agriculture of the land.

III. Farmers on inadequate farms that can be developed or enlarged into adequate units. Within this group are those less adapted to efficient farming, who, to become fully employed, will be faced with the necessity of leaving agriculture. They can best use a program similar to that suggested for Group II. There are also within this group many who, with adequate resources, can become efficient farm operators. Solution: (1) expanded program of supervised credit for the development and enlargement of land resources. Essential to the success of such a program is effective individual guidance on a case basis geared to the financing program; (2) a program to strengthen educational facilities and to stimulate incentive to make improvements.

IV. Farmers on units producing inadequate incomes because of insufficient working capital and inadequate management skills. Solution: an approach similar to that suggested in Group III except that no problem of farm enlargement or consolidation is involved.

V. Farmers with inadequate incomes because of failure to employ best technical skills. The problem of this group is basically the failure to keep abreast of agricultural developments. Solution: (1) improved vocational training in agriculture for both adults and young people; (2) supervised credit in those cases where continued use of inefficient practices has depleted capital.

What is Being Done: When the National Agricultural Advisory Commission met on March 28-29 the problems of small farm operators were given special study and plans made for a broad review of available knowledge on this subject as well as for the inauguration of new studies. The President's Budget for Fiscal 1955 contains estimates for $145,500,000 for supervised loans for small farmers which includes $19,000,000 for farm purchase and development, $120,000,000 for production adjustment and $6,500,000 for adequate supply and distribution of irrigation and farmstead water systems.